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E.O. 12958: DECL: 12/08/2021
TAGS: [PREL](#) [PGOV](#) [MARR](#) [ETRD](#) [IN](#)
SUBJECT: U/S BURNS AND INDIAN DEFENSE SECRETARY DUTT
DISCUSS DEFENSE COOPERATION

Classified By: Charge d'Affaires Geoffrey Pyatt for Reasons 1.4 (B, D)

11. (C) Summary. In a December 8 meeting, Undersecretary Burns and Indian Defense Secretary Shekhar Dutt discussed:

- the civil-nuclear cooperation initiative: U/S Burns briefed DS Dutt on the current status and assured Dutt that the final bill is fully consistent with the July 18 and March 2 U.S.-India joint statements;
- defense cooperation, agreeing that an even closer relationship is desirable, acknowledging that maritime security and peacekeeping operations offer possibilities for cooperation, and that conditions are good for U.S. companies seeking defense contracts;
- end-use monitoring (EUM). U/S Burns emphasized the need to come to an understanding on U.S. requirements with regard to the transfer of advanced U.S. defense equipment; and
- China: U/S Burns explained that the U.S. is coaxing China to be a responsible stakeholder in global affairs.

At the end of the meeting, Dutt passed U/S Burns a non-paper describing Indian concerns with EUM; the full text is included at the end of this cable. End Summary.

Look Toward The Future Of Mil-Mil Relationship

12. (C) Undersecretary Burns began his December 8 meeting with

Indian Defense Secretary Dutt by briefing on the status of civil-nuclear cooperation legislation in Congress, assuring him that the final bill would be consistent with the July 2005 and March 2006 agreements, and confirming that the U.S. will meet its commitments to India. Noting his Bilateral Dialogue with Foreign Secretary Menon the day before, at which he and Menon discussed future possibilities for the relationship, U/S Burns said that defense cooperation -- along with counterterrorism -- is an area in which the two countries can build much closer ties. He also described a meeting he had earlier in the day with American company representatives and added that private American companies, including those who will seek to compete for defense procurements, are also committed to participating in the new relationship.

Conditions Should Favor American Business

¶3. (C) Dutt described difficulties in the history of the U.S.-India relationship, then said that the foundation for closer bilateral ties was forged in 2005 and was poised now to move to a larger scale. Dutt stated "there are now far more areas for cooperation." He went on to describe the current political situation in India, asserting that while the extreme political right and left will remain skeptical of the U.S., particularly when the U.S. offers defense equipment such as the F-16 or P3 to Pakistan, a growing mainstream in India supports the improvement in relations. Many U.S. companies are now household names in India, suggesting U.S.

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companies competing for defense contracts should feel like they can succeed. India's manufacturing sector has benefited from India's excellent education system and cheap manpower, which Dutt felt should make American companies comfortable producing in India. As American companies win contracts and begin working with Indian partners, they will see a tremendous advantage to doing business in India, not just in the defense sector, he said.

Maritime Security A Chance For Closer Cooperation...

¶4. (C) Noting the increase in the volume of traffic between the Gulf states and the Straits of Malacca, Dutt asserted that piracy and other threats to shipping have increased, and suggested maritime security as one possible area for military-military cooperation. Dutt said that he had warned in the past that the next major terrorist attack could be at sea. "Governments which follow the rule of law have to come together," he urged. U/S Burns agreed that terrorism is a common threat, and said that while the U.S. has alliances around the world, future missions will require greater international cooperation. He argued that while the U.S. and India may not become formal allies anytime soon, that does not mean we can not be partners. U/S Burns encouraged the U.S. and India to develop our military to military relationship through mechanisms such as joint training and exercises, and through the exchange of technology, which will give us interoperability and integrate our two military cultures. The U.S. hopes to be a reliable partner as India modernizes its military, he said.

...As Is PKO

¶5. (C) U/S Burns explained that global peacekeeping operations will be a big challenge in the future and said he could foresee more PKO cooperation between the U.S. and India. Dutt replied that United Nations peacekeeping operations were the inclusive type of multilateral PKO which could facilitate the U.S. and India operating together. Regarding NATO peacekeeping operations in Afghanistan, Dutt suggested the U.S. consider what to do when fighting ends, to avoid a vacuum being created which would allow warlords or

other groups to come back. U/S Burns stated unequivocally that the U.S. will remain in Afghanistan until stability and democracy are achieved, noting the broad bipartisan support in the U.S. for the mission there. Dutt asked U/S Burns to consider Pakistan's role in Taliban and Al Qaeda violence, going on at length to explain his view that Pakistani terrorists are at the root of global terrorism. U/S Burns acknowledged the sensitivity of Pakistani-based terror for India, and said that the U.S. has signaled to President Musharraf that it will judge him by his actions in fighting terrorists. The U.S. no longer ties India and Pakistan together when formulating policy, he said, and will be willing to go further with India in some areas, such as military-to-military cooperation, while dealing with Pakistan

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based on that unique relationship.

How Does The U.S. Assess China's Intentions?

16. (C) Turning to the security situation in East Asia, U/S Burns said the U.S. is watching China's military build-up carefully and will maintain its military superiority in the region. He added that the U.S. seeks to integrate China into the world order, not contain it. Dutt asked for the U.S. assessment of China's intentions in Africa and Latin America, where it has invested significant assistance money. U/S Burns said he believed Chinese investment there was mercantilist in nature, not expansionist seeking a strategic gain. U/S Burns said he is involved in the Strategic Dialogue with China, and urges the Chinese government to have a stakeholder mentality whereby it meets its responsibility as a global power to positively affect global issues. China is playing a positive role in Six-Party Talks, particularly since the October 9 North Korean nuclear test, and has been influential in leading the DPRK back to the negotiating table.

EUM: Need To Come To An Understanding

17. (C) U/S Burns offered to address the GOI's concerns on end-use monitoring to the extent possible, but clarified that these requirements exist for all sensitive U.S. exports. Dutt suggested setting up some sort of institutional mechanism to address any lack of understanding between U.S. requirements and India's procurement system, and cited India's difficulty in purchasing aircraft from Brazil due to U.S. EUM requirements. U/S Burns acknowledged that the EUM system can be frustrating to deal with, but emphasized that the U.S. will do all it can to make the process as workable as possible. Dutt closed the meeting by handing over a non-paper on India's concerns regarding EUM, prepared by Director General (Acquisitions) Banerjee, as a follow-up to his conversation on EUM with U/S Burns the night before. (Note: the full text of the non-paper is in paragraph 8. End Note.)

Indian Non-Paper On EUM Concerns

18. (U) Begin text.

India-U.S. defense cooperation has registered significant progress in recent years, particularly after the signing of the New Framework for India-U.S. Defense Relationship in June 2005.

One of the recent developments, and one that we fully encourage, includes participation by U.S. companies and the U.S. Government in bidding for contracts on India's procurement proposals on a global competitive basis.

As we move forward, a concern has emerged on the Indian side

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with regard to U.S. practice of end-use monitoring. The concern, in particular, relates to insertion as a contractual clause, the need for physical on-site verification of U.S.-origin equipment, etc.

This issue was discussed during the Defense Procurement and Production Group meeting on November 12-13 and in the Defense Policy Group meeting on November 15-16, 2006.

We cannot ermit, for national security reasons, end-use monitoring with physical on-site inspections to be undertaken by a foreign country in defense installations. None of our international partners in defense acquisition insist on such requirements nor are we in a position to accede to them.

We feel that India's responsible record, the sovereign assurances of the Government of India, the relationship of trust and confidence between the two countries, including establishment of a strategic partnership, provide adequate basis to resolve the issue in a mutually acceptable manner that would fulfill the requirements of U.S. laws while responding to Indian concerns.

End text.

19. (U) Undersecretary Burns' party has cleared this message.
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